(c) the reasons for short-term debt increase to US $ 1.2 billion during the recent review period; and

(d) what measures Government are taking to reduce the external debt burden of the country?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) India's total external debt increased by US $ 0.1 billion to US $ 112.6 billion as at end-June 2004 from US $ 112.5 billion as at end-March 2004. The increase was due to a rise in the short term debt.

(c) The short term debt increased from US $ 4.7 billion at end-March 2004 to US $ 5.9 billion at end-June 2004. The increase in the short term debt of US $ 1.2 billion was due to a rise in trade credits resulting from higher imports during April-June 2004.

(d) The Government follows prudent external debt management policies which include emphasis on raising funds on concessional terms and from less expensive sources with longer maturities, monitoring of short term debt, prepaying high cost loans and encouraging non-debt creating capital flows.

VAT on tea and coffee

*94. SHRI ABANI ROY:
PROF. ALKA BALRAM KSHATRIYA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government are considering imposing Value Added Tax (VAT) on tea and coffee at the rate of 12.5 per cent;

(b) if so, the reasons for imposing higher rate of VAT on tea and coffee especially, when these commodities are considered to be of mass consumption by weaker sections of society; and

(c) whether Government would reconsider their decision to lower the VAT rates on these commodities and if not, the reasons therefor?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) As per Entry 54, List II of the seventh Schedule to the Constitution, tax on sale or purchase of goods within a State is a State subject. The VAT system proposed to be introduced by the States/UTs with effect from 1st April, 2005 is to replace the existing sales systems in the States/UTs. On the recommendation of the Chief Ministers' Conference held on

22nd June. 2000, an Empowered Committee of State Finance Ministers was constituted to evolve a consensus, milestones and methods for States to switch over to VAT. This Committee, after detailed deliberations, has arrived at a consensus to place tea and coffee in the 12.5% VAT rate category.

Hike in Prices of Petroleum Products

*95. SHRI DATTA MEGHE:
SHRI SANJAY NIRUPAM:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Government have increased the prices of petrol, diesel and LPG recently;

(b) if so, the details in regard thereto and the justification thereof;

(c) whether Government have also taken a decision to increase the price of LPG at the rate of rupees five every month in future;

(d) if so, the details thereof and the justification thereof;

(e) the extent to which the prices of essential goods are likely to increase due to hike in truck freight as a result of increase in diesel price; and

(f) whether there is a proposal to roll back the prices of petrol, diesel and LPG?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR) : (a) to (f) Considering India's high dependence on oil imports, the increase in international prices does impact on the domestic consumer prices of petroleum products. Taking into account in increase in international prices, the Oil Marketing companies (OMCs) increased the prices of petrol, diesel and domestic LPG effective 5.11.04. Later, on account of reduction in international prices of petrol, OMCs reduced the prices of petrol effective 16.11.04 The details are enclosed as Statement-I (*See* below).

Domestic LPG is a subsidized product. In addition to the Government subsidy, oil PSUs have been sharing the burden by not passing the full increase in international prices on to the consumer prices of domestic LPG. While effecting the increase of Rs.20/- cylinder in the RSP of domestic LPG effective 5.11.04, it was earlier decided that the RSP of domestic LPG cylinder would be increased by Rs. 5/-per month till the end of 2004-05. However, later it was decided that this monthly increase would not be effected.